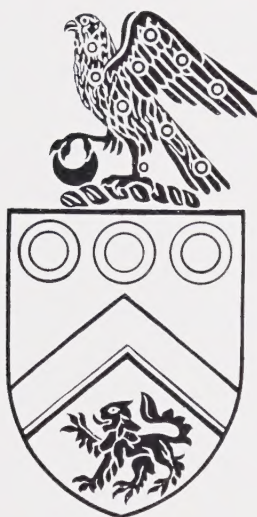


HAMBRO CORPORATION OF CANADA LIMITED



Annual Report

FOR THE YEAR ENDED 31st MARCH, 1972

HAMBRO CORPORATION OF CANADA LIMITED

BOARD OF DIRECTORS

C. BAKER

E. R. E. CARTER

M. A. COOPER

HON. G. B. FOSTER, Q.C.

C. E. A. HAMBRO

J. O. HAMBRO

R. N. HAMBRO

P. D. HILL-WOOD

W. F. JAMES, PH.D.

J. B. L. THOMAS

R. A. WHEELER

P. C. WOOD

OFFICERS

J. O. HAMBRO

President and Chairman of the Board

J. B. L. THOMAS

Executive Vice-President and Secretary-Treasurer

OFFICES OF THE COMPANY

Head Office:

SUITE 3301 - 1155 DORCHESTER BLVD. WEST,
MONTREAL

Executive Office:

SUITE 1104, ROYAL TRUST TOWER,
TORONTO DOMINION CENTRE,
TORONTO 111

HAMBRO CORPORATION OF CANADA LIMITED

TO THE SHAREHOLDERS:

I now have the opportunity to report to you on the first full year of operations since your Company became part of the Hambro Group. As I explained last year our policy is to concentrate the company's resources in a relatively small number of situations rather than to spread them over a broad investment portfolio. At the same time we do not neglect the opportunities for short-term trading in the stock market and our subsidiaries have been actively and profitably engaged in this area during the year.

At the time of the Interim Report last November I gave details of three new interests which we had acquired. Of these, N.S.I. Marketing Limited and The Winnipeg Supply and Fuel Company, Limited (the latter held through our associated company Bakham Holdings Ltd.) have proved most rewarding and profitable investments and we are very pleased with their progress. The investment nature of Crescent General Corporation has changed since our original stake was acquired, becoming more of a banking than investment transaction, and in view of this it was considered appropriate to transfer the holding at cost to Hambros Bank Limited in London.

Two further major investments were acquired during the year: in Peel Elder Limited, the well-known real estate company, and Ontario Trust Company recently formed by the amalgamation of three existing trust companies. We believe that real estate and the financial services provided by trust companies are areas of substantial potential growth and we are very pleased to have this opportunity of participating in these sectors of the economy.

Since the end of the financial year we have made a further acquisition, our largest so far, with the purchase of 63% of the common shares of Foodex Systems Limited for \$14.4 million. This company has interests in the United States and

operates a chain of popularly-priced restaurants in Canada. We regard the restaurant activities as having above-average growth potential.

I turn now to financial matters. The pattern of our income has changed as a result of our changed policy. Profit on security trading is substantially higher whilst investment income has declined, although a substantial part of the fall in this latter item is accounted for by the omission of dividends by McIntyre Porcupine Mines Limited. There was a satisfactory gain arising from the sale of part of the Locana Mineral Holdings Limited (now N.S.I. Marketing Limited) shares, and although they are not reflected in the accounts, there are substantial gains as yet unrealised on a number of holdings. Net earnings (including net gain on investments realised) were very much better at \$1,070,711 (1971 - \$631,923).

We shall continue to look for opportunities of putting our experience and resources to profitable use and having the utmost faith in the future growth and prosperity of Canada hope that we may share in some part of it.

It is with considerable regret that I have to tell you that this is the last occasion on which I shall report to you as Chairman of the Board and President. As part of an overall plan I am reducing my commitments and I do not intend to stand for re-election as a director. The offices which I hold in your Company will be taken over by Mr. Charles Hambro, the Chief Executive Officer of Hambros Bank Limited. I wish him every success in developing our interests in Canada.

JOCELYN HAMBRO
Chairman of the Board and President

June 5, 1972

HAMBRO CORPORATION OF CANADA LIMITED

AND SUBSIDIARY COMPANIES

AUDITORS' REPORT

To the Shareholders of

HAMBRO CORPORATION OF CANADA LIMITED:

We have examined the consolidated balance sheet of Hambro Corporation of Canada Limited and subsidiary companies as at March 31, 1972 and the consolidated statement of earnings and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us, and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of affairs of the companies as at March 31, 1972 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

CLARKSON, GORDON & CO.

Chartered Accountants

Toronto, Canada, May 4, 1972,
except as to note 12 which
is as at May 23, 1972.

HAMBRO CORPORATION

(Incorporated under
AND SUBSIDIARY C

CONSOLIDATED BALANCE

(with comparative fig

ASSETS

	1972	1971
Current:		
Cash and bank deposit receipts - - - - -	\$ 2,561,048	\$ 1,748,425
Loans receivable - - - - -	3,083,000	423,000
Dividends and sundry receivables - - - - -	59,426	44,127
Trading securities, at the lower of average cost and market (quoted market value \$8,650,000; 1971 — \$983,800) (note 4) - - - - -	7,893,198	737,175
Receivable upon delivery of securities sold - - - - -	177,500	366,084
Total current assets - - - - -	<u>13,774,172</u>	<u>3,318,811</u>
Investments:		
Jointly-owned company, at cost plus share of undistributed earnings since acquisition (notes 2 and 5) - - - - -	61,900	
Affiliated company, at cost - - - - -		1,206,912
Other companies, at cost (notes 3 and 4) - - - - -	15,095,627	16,055,447
Total investments - - - - -	<u>15,157,527</u>	<u>17,262,359</u>
Furniture, fixtures and leasehold improvements, at cost - - - - -	48,728	38,952
Less accumulated depreciation and amortization - - - - -	8,299	1,678
Total fixed assets - - - - -	<u>40,429</u>	<u>37,274</u>
Other:		
Management contracts, at cost - - - - -		50,000
Deferred expenses - - - - -	37,836	8,701
Total other assets - - - - -	<u>37,836</u>	<u>58,701</u>
On behalf of the Board:		
J. O. HAMBRO, <i>Director</i>		
J. B. L. THOMAS, <i>Director</i>		
	<u>\$29,009,964</u>	<u>\$20,677,145</u>

(See accompanying notes to

OF CANADA LIMITED

(In accordance with the laws of Quebec)

COMPANIES (NOTE 1)

SHEET MARCH 31, 1972

(as at March 31, 1971)

LIABILITIES

	1972	1971
Current:		
Bank indebtedness (note 4) - - - - -	\$ 2,958,509	
Accounts payable and accrued charges - - - - -	80,746	\$ 75,035
Payable upon receipt of securities purchased - - - - -	5,190,774	
Dividend payable on preferred shares - - - - -	34,375	34,375
Income and other taxes payable - - - - -	146,636	
Total current liabilities - - - - -	8,411,040	109,410
Minority interest in net assets of Locana Mineral Holdings Ltd. (note 1) - -		794,066
Shareholders' equity:		
Capital—		
Authorized:		
200,000 redeemable preferred shares of \$25 par value each, issuable in series		
2,000,000 common shares of \$5 par value each		
Issued:		
100,000 5½% cumulative redeemable preferred shares, Series A (note 6) - - - - -	2,500,000	2,500,000
1,079,550 common shares - - - - -	5,397,750	5,397,750
	7,897,750	7,897,750
Contributed surplus - - - - -	3,945,145	3,945,145
Retained earnings (note 7) - - - - -	8,756,029	7,930,774
Total shareholders' equity - - - - -	20,598,924	19,773,669
	<u>\$29,009,964</u>	<u>\$20,677,145</u>

(Consolidated financial statements)

HAMBRO CORPORATION OF CANADA LIMITED

AND SUBSIDIARY COMPANIES (NOTE 1)

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1972

(with comparative figures for the eleven months ended March 31, 1971, as reclassified)
(note 11)

	1972	1971
Income:		
Profit on security trading - - - - -	\$ 453,646	\$ 87,191
Investment income - - - - -	327,630	720,408
Management fees and other income - - - - -	56,654	25,042
	<u>837,930</u>	<u>832,641</u>
Expense:		
Directors' remuneration - - - - -	46,985	41,302
Interest - - - - -	18,124	6,467
Depreciation and amortization - - - - -	6,973	1,678
General and administrative - - - - -	221,928	153,292
	<u>294,010</u>	<u>202,739</u>
Earnings before the undernoted items - - - - -	543,920	629,902
Income and foreign withholding taxes - - - - -	261,000	61,000
	<u>282,920</u>	<u>568,902</u>
Equity in earnings of jointly-owned company (note 2) - - - - -	6,500	
	<u>289,420</u>	<u>568,902</u>
Net gain on:		
Sale of shares of former subsidiary (note 1) - - - - -	575,988	
Other investment portfolio changes - - - - -	84,085	104,982
	<u>949,493</u>	<u>673,884</u>
Minority interest in earnings of former subsidiary - - - - -		64,535
Earnings before extraordinary items - - - - -	949,493	609,349
Extraordinary items (note 8) - - - - -	121,218	22,574
Earnings for the period (note 9) - - - - -	1,070,711	631,923
Retained earnings, beginning of period - - - - -	7,930,774	7,868,172
	<u>9,001,485</u>	<u>8,500,095</u>
Deduct dividends declared:		
Preferred shares (\$1.375 per share) - - - - -	137,501	137,501
Common shares (\$0.10 per share; 1971 — \$0.40 per share) - - - - -	107,955	431,820
	<u>245,456</u>	<u>569,321</u>
Retained earnings, end of period - - - - -	<u>\$8,756,029</u>	<u>\$7,930,774</u>

(See accompanying notes to consolidated financial statements)

HAMBRO CORPORATION OF CANADA LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1972

1. PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of all subsidiary companies. The earnings of two subsidiaries acquired in the year are included from the respective dates of acquisition of control.

As a consequence of a share exchange transaction carried out by Locana Mineral Holdings Ltd. early in the 1972 fiscal year, and as a result of the subsequent disposal by the company of a portion of its investment in that former subsidiary at a gain of \$575,988, the company's interest in the outstanding share capital of Locana Mineral Holdings Ltd. was reduced from approximately 51.8% at March 31, 1971 to approximately 13.9% at March 31, 1972. This transaction has been accounted for as though it had taken place on April 1, 1971 and as a consequence no portion of the earnings of that former subsidiary is included in the consolidated statement of earnings and retained earnings for the year ended March 31, 1972. The company's investment in that former subsidiary company (now N.S.I. Marketing Limited) is included in the accompanying consolidated balance sheet at March 31, 1972 with "Investment in other companies".

2. INVESTMENT IN JOINTLY-OWNED COMPANY

During the year the company acquired a 55% equity interest in a newly-incorporated company, Bakham Holdings Ltd., which company subsequently purchased approximately 97% of the outstanding common shares of The Winnipeg Supply & Fuel Company, Limited. Bakham Holdings Ltd. has certain preference shares outstanding which carry with them sufficient voting privileges to reduce the company's interest in voting shares to 50%.

The company has adopted the equity basis of accounting for its investment in the jointly-owned company. As a result the company's share of the consolidated earnings of Bakham Holdings Ltd. to December 31, 1971, the first fiscal year end of that company, is included in the accompanying statement of earnings and retained earnings, and the carrying value of the investment has been increased accordingly.

The company's equity in the book value of the consolidated net assets of Bakham Holdings Ltd. at December 31, 1971 was \$1,266,000.

In the three month period subsequent to December 31, 1971, certain of the assets of The Winnipeg Supply & Fuel Company, Limited, having a carrying value of approximately \$4,250,000, and representing approximately 29% of its total assets, were sold at a gain of \$1,144,000. The portion of the gain which is attributable to the company's equity interest totalled approximately \$610,000. No portion of this gain is included in the accompanying consolidated financial statements.

3. INVESTMENT IN OTHER COMPANIES

The market value of the investments in other companies, based on the average quoted bid and ask prices of the shares at the close of trading on March 31, 1972, was approximately \$17,700,000. This amount does not necessarily represent the value of entire blocks of individual holdings which may be more or less than the value indicated by market quotations.

Certain of the company's investments in other companies having an aggregate market value at March 31, 1972 of approximately \$9,000,000 may not be sold publicly without the prior consent of certain regulatory authorities.

Included in investments in other companies are shares of a particular company acquired subsequent to March 31, 1972 at a cost of \$5,000,000, based on a purchase agreement entered into on February 23, 1972.

4. PLEDGED SECURITIES

At March 31, 1972, trading securities and investments with an approximate market value of \$3,841,000 were pledged as collateral security against the guarantee of a subsidiary's bank loan.

5. GUARANTEE OF JOINTLY-OWNED COMPANY'S INDEBTEDNESS

The company has guaranteed the bank indebtedness of Bakham Holdings Ltd. to a maximum of \$1,500,000 and has pledged its shares of that company in support of the guarantee.

6. PREFERRED SHARE CAPITAL

The preferred shares are redeemable at a premium of 4½% on or before February 1, 1976; 3½% thereafter to February 1, 1981; 2½% thereafter to February 1, 1986 and 1½% thereafter.

7. RETAINED EARNINGS

Included in consolidated retained earnings is approximately \$8,400,000 which, after payment by the corporation of a tax approximating \$75,000, may be distributed to Canadian shareholders without attracting further tax in their hands (subject to a reduction in the adjusted cost base of their shares for capital gains tax purposes).

8. EXTRAORDINARY ITEMS

Extraordinary items comprise the following:

	1972	1971
Reduction of current year's income taxes of subsidiaries resulting from carry-forward of prior years' losses - - - - -	\$ 55,500	\$ 40,000
Foreign exchange gain (loss) - - - - -	103,000	(17,426)
Management contracts written off - - - - -	(37,282)	
	<u>\$121,218</u>	<u>\$22,574</u>

9. EARNINGS PER COMMON SHARE

Earnings per common share, after deducting earnings attributable to the company's outstanding 5½% preferred shares, were as follows:

	1972	1971
Earnings per common share before extraordinary items - - - - -	<u>\$0.75</u>	<u>\$0.44</u>
Earnings per common share - - - - -	<u>\$0.86</u>	<u>\$0.46</u>

10. LOSSES AVAILABLE FOR CARRY-FORWARD

Losses of approximately \$88,000 incurred by subsidiary companies are available to be applied against such income as these companies may earn in future years and which would otherwise be taxable, subject to certain restrictions imposed by the Income Tax Act.

11. RECLASSIFICATION

Certain of the 1971 comparative figures included in the accompanying consolidated financial statements have been reclassified to conform with 1972 presentation.

12. SUBSEQUENT EVENTS

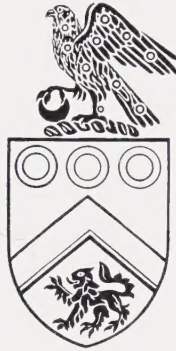
On May 23, 1972 the company entered into an agreement to purchase approximately 63% of the outstanding shares of Foodex Systems Limited (formerly C.D.R.H. Limited) for a total consideration of \$14,343,000. The company has arranged bank financing for the full amount of the purchase price.

13. STATEMENT OF SOURCE AND APPLICATION OF FUNDS

The accompanying consolidated financial statements do not include a statement of source and application of funds since in the opinion of management no useful additional information would be provided by such a statement.

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**HAMBRO CORPORATION
OF CANADA LIMITED**



INTERIM REPORT

FOR THE 6 MONTHS ENDED SEPTEMBER 30, 1972

TO THE SHAREHOLDERS:

Earnings per common share for the six months to September 30 were 81 cents against 57 cents for the same period in 1971. The 1972 figure includes an extraordinary gain of 4 cents per share.

On September 8, 1972 Canadian Goldale Corporation Limited ("Goldale") announced that its board and that of Hambro Corporation of Canada Limited ("the Company") had agreed to recommend to their respective shareholders the approval and acceptance of certain proposals that would, in effect, merge the interests of the two companies. In this respect a general meeting of Goldale shareholders has been called for November 28, 1972 at which they will be asked to confirm a board resolution authorizing an offer to the common shareholders of the Company (except those resident in the U.S.A. or any territories or possessions thereof) whereby Goldale will offer to acquire all such common shares as are issued and outstanding, in consideration of the issue and allotment of $4\frac{1}{4}$ shares of Goldale for each one common share of the Company. At the same meeting the Goldale shareholders will be asked to change the name of Goldale to Hambro Canada (1972) Limited and to increase the number of directors to provide representation from the Company. Hambros Limited and Bank of Montreal whose holdings total 78.5% of the issued common shares of the Company have indicated that they will tender their shares upon receipt of such an offer. The Company has been advised by Goldale that, upon receipt of shareholders' approval, a formal offer will be mailed to all holders of common shares of the Company early in December 1972.

You were advised in the report for the three months to June 30, 1972 that the Company acquired in August 1972 approximately 49% of the outstanding common shares of Tokar Limited. Tokar Limited presently owns approximately 39% of Goldale.

C. E. A. HAMBRO,
Chairman of the Board and President.

HAMBRO CORPORATION OF CANADA LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1972

(with comparative figures for the six months ended September 30, 1971)

(unaudited)

	<u>1972</u>	<u>1971</u>
Profit (loss) on security trading (note 2).....	\$ 572,000	\$ (34,000)
Net gain (loss) on:		
Investment portfolio changes.....	(47,000)	58,000
Sale of portion of shares of former subsidiary.....		576,000
Investment income.....	136,000	180,000
Management fees and other income.....	12,000	34,000
Equity in earnings of:		
Unconsolidated subsidiaries.....	196,000	
Other associated companies (note 3).....	731,000	
	<u>1,600,000</u>	<u>814,000</u>
Expense:		
Interest.....	435,000	11,000
Depreciation.....	3,000	3,000
General and administrative.....	164,000	104,000
	<u>602,000</u>	<u>118,000</u>
Earnings before the undernoted items.....	998,000	696,000
Income taxes.....	66,000	15,000
Earnings before extraordinary items.....	932,000	681,000
Extraordinary items (note 4).....	46,000	
Earnings for the period.....	<u>\$ 978,000</u>	<u>\$ 681,000</u>
Earnings per share before extraordinary items.....	<u>\$0.77</u>	<u>\$0.57</u>
Earnings per share.....	<u>\$0.81</u>	<u>\$0.57</u>

See accompanying notes to consolidated statement of earnings.

NOTES:

1. (a) The accompanying consolidated financial statements include the accounts of the Company and of all companies which were wholly-owned subsidiaries at September 30, 1972.
 (b) Investments in the partially-owned unconsolidated subsidiary, Foodex Systems Limited, and in other associated companies are carried on the equity basis. Other associated companies are those in which the Company exercises significant influence with 50% or less of the voting shares.
 Under the equity basis of accounting, the investment is initially recorded in the consolidated balance sheet at cost and is subsequently adjusted to recognize the Company's share of undistributed earnings and losses since acquisition.
2. In the period ended September 30, 1972, the Company adopted the policy of valuing its trading securities at the lower of average cost and market, as determined by comparing the aggregate cost of the portfolio with its aggregate market value.
3. Equity in earnings of other associated companies includes a gain of approximately \$600,000 realized by Bakham Holdings Ltd. on disposal of certain assets.
4. Extraordinary items comprise the following:

	<u>1972</u>
Equity in extraordinary items of unconsolidated subsidiary, Foodex Systems Limited—	
Reduction of income taxes resulting from carry-forward of prior years' losses.....	\$35,000
Foreign exchange gain.....	<u>11,000</u>
	<u>\$46,000</u>
5. Subsequent to September 30, 1972:
 - (a) The Company agreed to sell, pursuant to an underwriting agreement dated October 24, 1972, one-third of its investment in NSI Marketing Limited having a carrying value of \$305,000 and a quoted market value of \$1,855,000 as at September 30, 1972, for approximately \$1,787,000 thereby reducing the Company's interest in NSI Marketing Limited to approximately 9.2%.
 - (b) The Company purchased \$5,000,000 principal amount of 8% convertible debentures of Canadian Goldale Corporation Limited for a cash consideration of \$4,777,000.
6. A statement of source and application of funds is not provided since in the opinion of management no useful additional information would be provided by such a statement.